



The Solutions Network

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Rochester, New York

# **The Role of PUCs Related to DG/CHP Deployment**

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August 11, 2004

# Role of Economic Regulation

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- For Monopoly Services – Ensure safe and reliable service at just and reasonable rates
- For Competitive Services – Design truly competitive markets with level playing fields; monitor for market power and mitigate where necessary

# Primary Regulatory Issues for Distributed Generation

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## 1. Industry Structure

- Do utilities still own generation assets?
- Are utilities involved behind the meter?
- Do retail customers have choice in suppliers/technologies?

## 2. Utility Incentives/Corporate Culture

- Do utilities suffer revenue erosion if customers install DG?
- Are system protection engineers open to parallel attachments to grid?
- How conservative are utility legal departments?

# Primary Regulatory Issues re: Distributed Generation (Cont'd)

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## 3. Equity Issues

- **DG versus:**
  - Demand-side Options
  - vs. supply from large generators
- **Customers owning DG vs. other customers**
  - Do DG customers pay too much or too little toward utility services?

## 4. Social Policy

- **Should DG be encouraged?**
- **Potential for environmental, reliability, security benefits**

# Regulatory Methods to Resolve DG Issues

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- Design and implement changes to industry and utility corporate structures
- Prescribe standards for interconnection
- Set appropriate rates
- Provide ratepayer support for DG as appropriate to address other public policy goals

# NYSPSC Initiatives and Actions

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## 1. Industry Structure

- Utilities are no longer vertically integrated
- Retail customers have choice of supplies and demand-side options
- New structure helps promote a level playing field for DG
  - **Customers have flexibility in how they purchase electricity**
  - **They also can select DG options in concert with electricity/gas purchase decisions**



## 2. Utility Incentives/Corporate Culture/Equity Issues

- NYS standardized Interconnection Requirements
  - **Sets limits on equipment that utility expects customers to install for interconnection**
  - **Promotes standardization (and utility acception) of interconnection equipment**
  - **Provides certainty in application process and contractual arrangements**

# NYSPSC Initiatives and Actions (Cont'd)

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- Electric Rates
  - **More accurately reflect fixed delivery costs faced by utilities**
  - **Standby Rates – help remove utility disincentives created by standard volumetric delivery rates**
  - **Daily as-used demand rate element promotes most economic use of DG – at times of high demand from grid and high commodity costs**
  - **Encourages proper sizing of DG systems, which should maximize benefits to customers**



# NYSPSC Initiatives and Actions (Cont'd)

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- Gas Rates
  - **similar, cost based approach, for gas delivery costs**
  - **Should result in significant cost decrease for most gas fired DG customers**
- DG as an alternative to distribution system upgrades
  - **No projects supported for this purpose to date**
  - **Hard for DG/CHP to economically meet reliability standards for distribution service**

# NYSPSC Initiatives and Actions (Cont'd)

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## 3. Social Policy

- **Targeted funding for DG through Systems Benefits Charge funding**
  - Created and monitored by the PSC
  - Administered by NYSERDA
  - Competitively-bid program that funds the best projects
- **Renewable Portfolio Standard might result in changes to existing SBC-funded program**
- **DEC Rulemaking on Emissions Standards for DG**
  - PSC Staff provided input

# New York City Specific Issues

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- Network configuration
- Circuit breaker over duty
- Steam Rates
- Building codes
- Value of real estate

# Security and Reliability

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- Benefits tend to be site-specific
- Ability to maintain operations through grid outages
- DG/CHP not large enough scale to support grid in re-energizing, but can keep load off of grid during that process

# SUMMARY



- NYPSC is part of a comprehensive NYS effort to encourage economic DG/CHP
- Regulatory goals
  - **Fair, safe, reliable access to grid for inter-connected, customer-owned DG**
  - **Level playing field for customers choosing DG option**
    - Removal of utility barriers and disincentives
    - Sustainable, cost-based electric and gas delivery rates.
  - **Target funding for new technologies/best applications**

**Thank You!**

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